

**TWENTY-NINTH MEETING OF THE
STANDING COMMITTEE OF
CARIBBEAN STATISTICIANS**

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**STATISTICS ON PRODUCTION AND INTERNATIONAL TRADE IN SERVICES:
CURRENT STATUS AND ONGOING DEVELOPMENTAL WORK**

1. Background

The current initiative in International Trade in Services is progressing through the execution of a joint Project in this area by the Caribbean Community (CARICOM) Secretariat and the USAID-funded Caribbean Trade and Competitiveness Programme (CTRADECOM). In 2001/2, as part of the process of enabling the development of the economic sectors and more specifically the facilitation of production and international trade in services in the Region, the CARICOM Secretariat executed a Project: *CARICOM Protocol II Trade Policy and Facilitation Project* under the Regional Trade Responsiveness Project. This Project which was funded by the Canadian International Development Agency (CIDA), contained a component on the Strengthening of Statistical Capabilities in Services Statistics in Member States.

In the Statistics Component of the CIDA Project, the following activities were required to be undertaken:

- (i) Execution of a Situational Assessment for the Region and Member States to identify the existing gaps in services data and information, the structure and capacity development required by National Statistics Offices and related regional

organisations in respect of services and more recent developments in services statistics practices and methods;

- (ii) Preparation of a framework programme for enhancing capacity and capabilities of the National Statistical Offices/Central Banks;
- (iii) Establishment of a common methodological approach including guidelines for statistical surveys, data collection, analysis and processing of services statistics;
- (iv) Delivery of short term training workshops.

While these activities were deemed in the main to be satisfactorily completed it was thought that the recommendations that were prepared were too broad-based and did not provide Member States with adequate details as to how to implement the recommended processes. To assist countries in compiling services statistics, the United Nations and other international organisations developed a *Manual of Statistics on International Trade in Services* that provides the internationally agreed framework for the compilation and dissemination of international trade in services “in a broad sense”. This is another source of information but the focus is mainly on the conceptual framework.

To enhance the capabilities of Member States in compiling these statistics, the CARICOM Secretariat also conducted one regional workshop and two pilot national workshops, bringing together a cross-section of producers, users and suppliers of information on services from the public and private sectors and regional organisations, in order to sensitise on the importance of these statistics, to inform about the methodological framework, and to test the feasibility of the recommendations in the Report on the situational assessment.

The CIDA Project did not focus on direct compilation of services statistics, but sought to stimulate work and build capacity to produce these statistics by sensitising Members

States about the conceptual framework, the classification systems, bringing together users and producers at the national level in two Member States to assess the feasibility of the recommendations of the situational assessment and to advance the process towards focussing on data collection, by obtaining a profile of selected services industries from operating establishments, looking at questionnaire content through exploring what the suppliers of information are able to provide, discussion with the producers with respect to building a register of establishments and similar issues.

Exposure to the then “ Draft Manual on International Trade in Services” produced by the United Nation as and other agencies was also undertaken. The Project also focussed on Production of Services, the thinking being that in order to strengthen capacity to produce statistics on International Trade in services, it is necessary to strengthen capacity in the compilation of statistics on Production of Services. Ultimately, production leads to trade, in both goods and services.

This Project was not the first attempt to enable the compilation of services statistics in Member States, the previous effort being in the late 90s.

2. Advancing the Process Post the CIDA Project

Project Proposal

During the execution of the CIDA Project, the Secretariat undertook the preparation of a Project Proposal to actually compile statistics on production and trade in services, to build on the capacity gained from the CIDA Project and also to complement the outcomes. The focus on this project proposal was therefore to develop databases in services statistics across Member States. Efforts at obtaining funding for this proposal were not realised.

Preparation of a Report, *CARICOM Trade in Services 1990-2000*

At the end of the CIDA Project in 2002, the Secretariat attempted a data compilation exercise on trade in services using data submitted by Member States from the Services section of the Balance of Payments. These efforts resulted in the production of a report on International Trade in Services. Member States were encouraged to review the data in that report in order to gauge the current gaps and deficiencies for their respective countries and to devise an approach to fill these gaps and to further enhance the production of these statistics.

Based on the report, the following is an indication of the status of data available on international trade in services including detailed information and how it compares with the EBOPS classification:

- (i) Data are available for the imports and exports of broad service categories, transportation, travel, Commercial Services, Government Services, for all Member States included in the report. At the time of preparing the report, Guyana and Suriname were in a transitional stage relative to the production of Balance of Payment Statistics in the recommended Balance of Payments Manual Version 5 (BPM5) format. The data in the report excluded Guyana, Suriname and Haiti;
- (ii) For transportation, data were available by Air and Sea transport for the OECS Member States; Barbados - Passenger Services, Freight Services and Other Services with Air, Sea and Other within these categories; The Bahamas - Air, Sea and Other Transport; Belize showed the reversal of Barbados with Passenger, Freight and Other shown within Sea, Air and Other; Jamaica - Passenger, Freight, Port and Other; and Trinidad and Tobago - Passenger, Port, Sale of Consignment notes and Other. Jamaica and Trinidad and Tobago are therefore the furthest away from the EBOPS format;

- (iii) With respect to Travel no further breakdown was available for the OECS Member States and Jamaica; Barbados and Belize showed detailed information consistent with the requirements of the EBOPS; while for Trinidad and Tobago the breakdown does not explicitly reflect the requirements of the EBOPS;
- (iv) Commercial Services is a very broad area which include among other services, Business and Professional Services, Financial, Insurance, Construction and Engineering Services, etc., The OECS data shows a breakdown of Commercial Services into Financial services, Insurance services (further disaggregated) and Other Business services (further disaggregated), for The Bahamas the data shows Insurance and Other Business services, both further disaggregated; Belize - Insurance service (further disaggregated), Financial services, Other services of which Business (further disaggregated) and Other services are shown also disaggregated; for Jamaica - Insurance services (further disaggregated), Financial Services, and Other business services (further disaggregated); and for Trinidad and Tobago - Insurance services, Other Business Services (further disaggregated). Belize and Barbados are the two countries for which the EBOPS format is either explicit or can be derived;
- (v) Government Services: for the OECS the breakdown shows Resident, Foreign and Other Government, which is almost similar for The Bahamas; for Barbados and Belize the breakdown shows Embassies, Military and Other which is the EBOPS format while there is no breakdown for Jamaica for this category and International institutions, Foreign Diplomatic agencies and signature bonuses for Trinidad and Tobago;
- (vi) Belize was the only country that has attempted to compile statistics according to the Extended Balance of Payments in Services (EBOPS) which is one of the initial recommended level of classification in the Manual of International Trade in services for the compilation of these statistics. Apart from Belize, Barbados showed a detailed industrial classification breakdown of the broad services areas

which seems to suggest that this country can move rapidly to producing data by EBOPS;

- (vii) Trinidad and Tobago while providing some details, these reflected more so an older version of the Balance of Payment Classification and was therefore far removed from the EBOPS. Once this is corrected, this country should be able to produce data by EBOPS.

3. Total Value of Imports and Exports for 2000 and Highest Contributors

Based on the available information, the report showed that total exports of services of the 12 CARICOM Member States (excluding Guyana, Suriname and Haiti) stood at \$US6.98 billion in 2000 with Imports being \$US 3.97 billion. The countries that contributed significantly to the Exports of Services in 2000 were The Bahamas with 29 per cent and Jamaica with 27.9 per cent. For Imports, Jamaica was the highest importer with 35.5 per cent in 2000 followed by The Bahamas with 24.6 per cent. Travel was the most significant service on the receipts (exports) side in 2000 with 72.4 per cent and effectively reflects the impact of tourism. Commercial Services was the highest contributor to total payments (imports) of services with 39 per cent in 2000.

4. Production and Employment and Similar Variables

The intention was to produce a second report providing data on production, employment and any other variables available on services. However, due to staff constraints in the Statistics Sub-Programme of the Secretariat, this has not been realised.

Based on existing reports in other areas produced by the Secretariat, the following indicates the status of data available on production and employment. The published data for most Member States appear not to be disaggregated with the exception of Trinidad and Tobago. Also they do not mirror closely either the ISIC Rev 2 or 3, again with the exception of Trinidad and Tobago.

5. Gaps and Deficiencies in the Data Based on the Publication of the Report

The following were the major gaps in the data:

- (i) Absence of the required level of disaggregation to effectively monitor the production and trade in services. In particular, the EBOPS and the GATS GNS/W/120 classification levels are not available;
- (ii) Data on services by direction of trade are not available. In particular, data to monitor on intra-regional and extra-regional trade in services and source and destination country, by trading partners or blocs are not available;
- (iii) Data by modes of delivery of services are not available;
- (iv) The data from the Services Section of the balance of payment is deficient with regard to the coverage of some service areas. These would include, services of consultants who move to deliver services and particularly the business and the professional services area, services delivered by offshore companies.

6. Approaches to Filling the Gaps in the Data on Services - Collaboration with C-TRADECOM

The CARICOM Secretariat requested technical assistance from the Caribbean Trade and Competitiveness Programme (C-TRADECOM) to undertake the developmental work in CARICOM Member States to collect and properly disseminate trade in services statistics. C-TRADECOM was able to successfully negotiate finance with USAID to fund this developmental work. The main activities of the Project are:

- (i) Preparation of Common Guidelines for the Collection, Compilation and Dissemination of Statistics on International Trade in Services;

- (ii) Reviewing and Compilation of Existing Data on Worksheets to compile statistics on Trade in Services and on Investment Flows and development of methods to fill the data Gaps identified;
- (iii) Reviewing of Survey Instruments, Questionnaires, Data Collection procedures, Sampling Methodology including Methods of Estimation and Imputation for Non-response and facilitate the implementation of these procedures in Member States;
- (iv) Conducting of National/Regional Workshops to Sensitise and Inform Users, Producers and Suppliers of Statistics on International Trade in Services.

Activity (i) will result in the documentation of the Common Guidelines with adequate details to inform Member States as to how to collect, compile and disseminate these statistics. It would therefore not be a document containing broad-based recommendations but details of processes that can enable Member States to actively collect, compile, disseminate and analyse statistics on International Trade in Services.

The second activity (ii), will result in actual tables as detailed as possible on trade in services being compiled for the selected Member States based on information available from the review of the existing data.

The third activity (iii) will result in the production of a questionnaire format to be used in the collection of services statistics both on the production and international trade perspectives. It should also result in documentation of methodologies to be used in estimating and sampling the services sector with particular reference to imputations for non-response and the use of data from other sources.

Supporting activities to the main activities above include:

- (i) Development of a Common Classification approach extending the BPM5 to the EBOPS including a process for selective introduction of product level details utilising the UNCPC particularly with regards to production of services;
- (ii) Systems Analysis/database design and application of IT in general to be applied in the Construction of Statistical Databases to analyse and disseminate detailed Statistics on International Trade in Services and Investment;
- (iii) Development, Documentation and Presentation of a profile of the financial sector in the region including the Offshore Financial Sector.

In addition the following main reports are to be prepared which will incorporate the individual reports of the Consultants:

- (i) Preparation of a Draft Project Report on all the activities of the Project;
- (ii) Preparation of a Final Report on all activities of the Project.

7. Expectations with respect to Project Activities

Expectations with respect to each of the main and supporting activities are highlighted below:

- (i) Preparation of Common Guidelines for the Collection, Compilation and Dissemination of Statistics on International Trade in Services:

Objectives:

- The objective of this activity is to make operational the application by Member States of regionally agreed to statistical frameworks, systems and processes, to collect, compile and disseminate statistics on international trade in services; and

- To advance the process of drafting the guidelines which will facilitate the monitoring of services activities and the development of policies and programmes for effective participation of CARICOM Member States in the international Environment of Production and Trade In Services.

It is expected that these guidelines can provide Member States with a common approach for data collection and for the compilation of databases with comparable statistics. Focus on the compilation of Investment Flows should also be incorporated.

Amongst the detailed activities of the preparation of the common guidelines are the following:

- (a) To devise and document a harmonised approach to the classifications to be employed in the Region based on the demands of users and taking fully into account the international classifications such as the International Standard Industrial Classification (ISIC Rev. 3), the Extended Balance of Payments in Services (EBOPS), the General Agreement of Trade in Services- GATS (GNS/W/120) and the Central Product Classification (UNCPC), specifying common classifications to be used throughout the Region. The requirement of product level details should be incorporated in this common approach to facilitate eventual movement towards the UNCPC for selected core categories of services where this is feasible. Consideration must also be given to the most current versions of these classifications for use in Member States. Reference should be made to all services industries in the preparation of this common classification system;
- (b) Prepare and incorporate in the guidelines a prototype questionnaire(s) for the production and trade aspects of services statistics, taking into consideration the requirements of the 1993 System of National Accounts and the Balance of Payments Manual – *Fifth Edition* of the IMF (BPM5). The questionnaire should

incorporate the data requirements of users as contained in the Final Report of the situational assessment. This should include data on trade in services by modes of delivery, by origin and destination (intra-regional and other major trading partners) and by the major statistical classifications identified arising out of (d). Reference should be made to specific Services Industries in the preparation of this questionnaire for illustrative purposes. Modifications that would be required across service industries should be incorporated in a separate questionnaire format;

- (c) Document a detailed methodology relative to the compilation of a sampling frame or register for those establishments engaged in the production and trade in services, which should include exact details of elements of data on the establishments that should be contained in this register. The methodology should inform of the main sources of information that should be used to update the register of establishments, the frequency of update, the format to be used including software and other related issues. Reference can be made to selected services industries such as Financial Services/Offshore Financial Sector and/or Business and Professional Services in the Region in the detailing of this methodology;

- (ii) Review and Compile Data from Worksheets to obtain detailed statistics on Trade in Services and on Investment Flows and Develop methods to fill the data Gaps identified and actually reflect these methods in the data compilation

Objectives

The activities of reviewing and compiling the existing data on the worksheets and the development are expected to be performed concurrently.

The objectives of this activity are:

- To compile Statistics on International Trade in Services on Foreign Direct Investment using existing data from the worksheets of Member States;
- To identify, develop approaches and treat with the gaps in the data, based on the review and compilation exercises.

Activities to be undertaken:

- (a) To undertake a review of the data currently available but not published in each Member State and to compile tables showing detailed services categories based on this data on International Trade in Services. Imports and Exports of Services should be classified according to the major categories and classifications arising out of the recommendations of the Classifications Expert. Efforts should also be made to classify data by trading partners, intra-regional and other major external trading partners;
- (b) To reorganise existing production data to compile data on Foreign Affiliate Trade in Services (FATS) and to compile detailed statistics from the worksheets on Investment Flows by Source (Country of Origin), by Destination Industry and by Type of Investment;

- (c) To identify the gaps in the data and to develop methods of estimation for filling the gaps in the data and to actually reflect these methods in the data compiled for the Member States where possible;
- (d) To assess the feasibility of producing data on trade in services by modes of delivery, indicating what changes are to be made to accommodate this;
- (e) To undertake training of the relevant staff in Member States in the process of executing activities (i) to (iii).

Outputs:

- Detailed Statistics on International Trade in Services for Member States;
- Foreign Affiliate Trade Statistics (FATS) for Member States;
- Detailed Statistics on Investment Flows by Source (Country of Origin), by Destination industry and by type of investment for countries;
- Documentation of the gaps in the data relative to the review/compilation;
- Documented approaches of how the gaps have been filled in the tables provided;
- An assessment of the feasibility of compiling data by the four Modes of Delivery of Services;
- Trained Staff in Member States to sustain the process of compilation of these statistics;

- (iii) Review of Survey Instruments, Questionnaires, Data Collection procedures, sampling methodology including methods of estimation and imputation for non-response and guide the implementation of these procedures.

Objectives

- (i) To design and prepare common questionnaire(s), sampling approach, estimation procedures, quality control procedures and mechanisms for treating with non-response for the collection, compilation of statistics on production and trade in services and investment details, taking into consideration peculiarities of individual service industries and Member States;
- (ii) To facilitate the implementation of the methods, instruments and procedures in Member States;
- (iii) To contribute to the preparation of the common guidelines as indicated under this activity.

8. Status of Project Implementation

A Briefing Meeting/Teleconference for three of the main Consultants of the Project was held in August 2004 in Barbados at the offices of C-TRADECOM. At this Meeting, Guidelines for the Implementation for the Project were presented. To date, an implementation plan for the project, a draft outline for the preparation of the common guidelines, a pre-visit questionnaire and a schedule for the visits by the countries were also prepared to enable the execution of the project activities.

Work is in progress on the Preparation of the Common Guidelines. In addition, the country visits to review the compilation processes and data availability in Member States commenced in late September 2004 with a visit to St. Vincent and the Grenadines. Early indication from the data from St. Vincent is that some EBOPS data

are available as well as detailed FDI information. However, data on trade in services by source and destination country are not available and would require amendments to the survey questionnaire and of course the input of the ECCB in this process in order to derive estimates for intra and extra-regional flows of services and FDI.

The review missions have also visited Barbados, Belize and Saint Lucia and a visit is currently underway in Jamaica. The visit to Belize was successful. It was discussed that efforts were made to amend the questionnaire to collect data by UNCPC. Efforts were also made to compile data on FATS.

In the first quarter of 2005, a regional training workshop will be convened to discuss the results of the project and to share the experiences with other Member States.

ACTION REQUIRED

The **Meeting** is **invited** to -

- (i) **consider** the developmental work being executed by CARICOM Secretariat and CTRADECOM in the area of International Trade in Services;
- (ii) **urge** Member States to continue to focus on the area of statistics that is vital to regional development.
